

Weekly Focus

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TRENDS TO KEEP AN EYE ON

Switzerland – a deal with the UK on secret bank accounts; **Trinidad-&-Tobago** – a limited state of emergency to fight crime and drug trafficking; **Venezuela** – if you can't beat inflation, can you just outlaw it?

BRAZIL

The odds now seem to favor a steady course by the CB, while the government will try hard to prevent Congress from ramping up fiscal spending. Whether the legislature will cooperate is open to question, given the Rousseff Administration's growing internal political problems.

CANADA

While acknowledging that economic growth probably stalled in the second quarter, the setback will prove to have been temporary and will give way to a renewed rebound. US policy makers would do well to take a serious look at why Canada's economic position today is so much better than that of the United States.

FRANCE

President Sarkozy moved this week to tighten fiscal austerity. In doing so, he has dropped an earlier commitment to protect the wealthy. But with economic growth forecasts slipping, with the country's triple-A credit rating under a cloud, and with only nine months to go to presidential elections this should not surprise.

JAPAN

While Moody's has downgraded the country's credit rating by another notch, the yen's strength is a problem that will confront the next PM from the day he takes office. Who he will be is still uncertain. Predictable is only that the change is now imminent and that the next PM, like his predecessors, will not last very long in office.

KENYA

The Central Bank still seems to think that inflation will peak soon, but with drought and mismanagement raising havoc with food supplies it may be overly optimistic. The current-account BoP deficit will stay large but manageable and official international monetary reserves should continue to increase.

SOUTH SUDAN

The Republic of South Sudan has a name, a flag, its own currency and a government, but while the separation from the rest of Sudan appeared easy and peaceful, the divorce is proving to be messy. Tensions remain palpable, not only between Juba and Khartoum but also within South Sudan.

SPAIN

The administration has added austerity measures to rake in an additional EUR 5 billion this year. Spain will continue to face tough bond market challenges, however, and while banks are coping with their difficulties in obtaining wholesale funding, the way they are doing it is hurting the already stagnant economy.

UNITED ARAB EMIRATES

The repayment of maturing loans by the ICD is a sign of how far the country has come in recovering from the debt crisis. Dubai state companies have no difficulty securing bank financing these days as the UAE economy is recovering – helped by the uncertain regional environment.

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